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**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA**

**Basic Financial Statements
and Independent Auditors' Reports**

**As of and for the Year Ended June 30, 2002
With Supplemental Information**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/4/02

**STATE PLUMBING BOARD OF LOUISIANA
2714 CANAL STREET, SUITE 512
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GOVERNING BOARD

James C. Finley
Johnny Gypin
Jack E. Hicks
Robert Jaeger, II
Rick Lanier
James R. Osborne, Jr.
Linden Raimier
Robert Rolston

Don Traylor, Executive Director

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report on the Financial Statements	1
Basic Financial Statements:	
Government-wide Financial Statements -	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements - Governmental Fund	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Notes to the Financial Statements	8
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	19
Other Report Required by <i>Government Auditing Standards</i>:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Schedule of Findings	23
Resolution of Prior Year Findings	24
Management Letter	25

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

**Board Members of
State Plumbing Board of Louisiana
Department of Labor
State of Louisiana
New Orleans, Louisiana**

We have audited the accompanying basic financial statements of the **State Plumbing Board of Louisiana**, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, as listed in the Table of Contents. These basic financial statements are the responsibility of State Plumbing Board of Louisiana management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the State Plumbing Board of Louisiana, as of June 30, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America. However, the State Plumbing Board of Louisiana did not provide us with Management's Discussion and Analysis, which is supplementary information required by the Government Accounting Standards Board.

As described in Note 1 to the basic financial statements, the State Plumbing Board of Louisiana adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

The accompanying required supplementary information, which consists of the Budget Comparison as listed in the Table of Contents are not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2002, on our consideration of the State Plumbing Board of Louisiana' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Leroy J. Chustz
Certified Public Accountant, APAC

Beverly A. Ryall
Certified Public Accountant

August 14, 2002

**STATE PLUMBING BOARD
DEPARTMENT OF LABOR
STATEMENT OF NET ASSETS
JUNE 30, 2002**

ASSETS

Current Assets

Cash and cash equivalents	\$ 429,345.16
Receivable - interest	657.80
Prepaid expenses	4,076.98
Total Current Assets	<u>434,079.94</u>

Noncurrent Assets

Equipment	20,284.00
Accumulated depreciation	(4,057.00)
Total noncurrent assets	<u>16,227.00</u>

TOTAL ASSETS	<u>\$ 450,306.94</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 465.00
Payroll deductions and accruals	14,422.25
Deferred revenues	9,775.00
Total Current Liabilities	<u>24,662.25</u>

Noncurrent Liabilities

Compensated absences	18,197.38
Total Noncurrent Liabilities	<u>18,197.38</u>

TOTAL LIABILITIES	<u>42,859.63</u>
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Net Assets

Investment in capital assets	16,227.00
Unrestricted	<u>391,220.31</u>

TOTAL NET ASSETS	<u>407,447.31</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 450,306.94</u>
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The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD
DEPARTMENT OF LABOR
STATEMENT OF ACTIVITIES
JUNE 30, 2002**

EXPENSES:

Licensing Program

Personal services -

Commissioners per diem	\$ 7,800.00
Salaries	279,306.10
Employee benefits	51,324.91
Travel	45,491.97
Operating services	71,638.94
Supplies	20,465.27
Professional services	63,170.23
Depreciation expense	4,057.00

Total Program expenses	<u>543,254.42</u>
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Program Revenues:

Licenses, permits, and fees -

Licenses	410,295.00
Examination fees	84,287.50
Enforcement actions	52,715.00
Temporary permits	5,575.00

Total Program Revenues	<u>552,872.50</u>
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Net Program Revenue	9,618.08
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General Revenues:

Interest earnings	9,992.22
Other revenues	1,476.20

Total General Revenues	<u>11,468.42</u>
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<i>Increase in net assets</i>	<u>21,086.50</u>
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<i>Net Assets at June 30, 2001</i>	<u>386,360.81</u>
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<i>Net Assets at June 30, 2002</i>	<u><u>\$ 407,447.31</u></u>
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The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD
DEPARTMENT OF LABOR
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2002**

ASSETS	
Cash and cash equivalents	\$ 429,345.16
Receivable - Interest	657.80
Prepaid expenses	4,076.98
TOTAL ASSETS	\$ 434,079.94

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 465.00
Payroll deductions and accruals	14,422.25
Deferred revenue	9,775.00
Total Liabilities	24,662.25

Fund Equity:

Fund balance -	
Unreserved - undesignated	409,417.69
Total Fund Equity	409,417.69

TOTAL LIABILITIES AND FUND EQUITY	\$ 434,079.94
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Reconciliation of total Government Fund Balance to Net

Assets of Government Activities:

Total Government Fund Equity	\$ 409,417.69
Amounts Reported for Government Activities in the Statement of Net Assets are Different Because:	
Capital Assets used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds (Net of Accumulated Depreciation of \$4,057.00)	16,227.00
Long-Term Liabilities, including Compensated Absences, are not Due and Payable in the Current Period and therefore not reported in the Funds	(18,197.38)
<i>Net Assets of Governmental Activities</i>	\$ 407,447.31

The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD
DEPARTMENT OF LABOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2002**

Revenues:

Use of money and property -	
Interest earnings	\$ 9,992.22
Licenses, permits, and fees -	
Licenses	410,295.00
Enforcement actions	52,715.00
Examination fees	84,287.50
Temporary permits	5,575.00
Miscellaneous -	
Other revenues	1,476.20
Total Revenues	<u>\$ 564,340.92</u>

Expenditures:

Current -	
Personal services -	
Commissioners per diem	\$ 7,800.00
Salaries	279,306.10
Employee benefits	49,503.89
Travel	45,491.97
Operating services	71,638.94
Supplies	20,465.27
Professional services	63,170.23
Capital outlays	20,284.00
Total Expenditures	<u>\$ 557,660.40</u>

<i>Excess of Revenues (Expenditures)</i>	\$ 6,680.52
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FUND BALANCE - JUNE 30, 2001	<u>\$ 402,737.17</u>
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FUND BALANCE - JUNE 30, 2002	<u>\$ 409,417.69</u>
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The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD
DEPARTMENT OF LABOR
GOVERNMENTAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2002**

***Reconciliation of the change in Fund Equity -
Governmental Fund to the change in Net Assets
of Governmental Activities:***

Net Change in Fund Equity Governmental Fund	\$ 6,680.52
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Amounts Reported for Governmental Activities
in the Statement of Activities are different
because:

Governmental Funds report capital outlays as
expenditures while Governmental Activities
report depreciation expense to allocate those
expenditures over the life of the assets:

Capital asset purchases capitalized	20,284.00
Depreciation expense	(4,057.00)

Some expenses reported in the Statement of
Activities, such as compensated absences, do
not require use of current financial resources
and therefore are not reported as
expenditures in governmental funds

<u>(1,821.02)</u>

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 21,086.50</u></u>
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The accompanying notes are an integral part of this statement.

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

NOTE 1 - INTRODUCTION

The State Plumbing Board of Louisiana was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:1361-1380. The Board is under the control of the Department of Labor and a component unit of the State of Louisiana and is an integral part of such reporting entity. The Board, which is composed of eight (8) members appointed by the Governor of Louisiana for a term of six years. The Board consists of one registered engineer, one plumbing inspector, three master plumbers, and three journeyman plumbers. Each appointment is made from a list of three names for each appointment submitted by the following:

1. The registered engineer and the plumbing inspector by the president of the Louisiana State Board of Health;
2. Master plumbers by the Louisiana Association of Plumbing, Heating and Cooling Contractors of Louisiana or its successors;
3. Journeymen plumbers by the Louisiana Pipe Trades Association or its successor.

The Board elects from its members a chairman, a vice chairman and a secretary-treasurer for two year terms; the election to be held within thirty days of July 1 in each odd-numbered year. The chairman shall vote only in a case of a tie.

As authorized by Louisiana Revised Statute 37:1364, each member of the Board shall be reimbursed when actually in attendance at a board meeting or when required to travel for the official authorized business of the board, and such reimbursement shall not exceed \$75.00 per day plus actual expenses. Mileage to and from the member's domicile to the place of meeting or when otherwise required to travel for official authorized business of the board shall be reimbursed at the rate set by the Division of Administration for state employees pursuant to L.R.S. 39:231.

The Board is charged with the responsibility of licensing and regulating any person engaged in the following trades or businesses in the State of Louisiana:

- plumbing installation or plumbing work of any character (journeyman plumber)
- business of a master plumber
- apprentice plumber
- installing piping used solely to transport gases for medical purposes

The Board's office is located in New Orleans, Louisiana, and employs 2 administrative personnel. The Board's operations are funded entirely through annual self-generated revenues.

1.B. FINANCIAL REPORTING ENTITY

GASB Statement No. 14, "The Financial Reporting Entity," has defined the governmental reporting entity to be the State of Louisiana. The State Plumbing Board of Louisiana is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members, and public service is rendered within the state's boundaries. The accompanying basic financial statements present information only as to the transactions of the State Plumbing Board of Louisiana, a component unit of the State of Louisiana.

Annually the State of Louisiana issues a basic financial statement which includes the activity contained in the accompanying financial statement. The basic financial statement is issued by the Louisiana Division of

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the State Plumbing Board of Louisiana except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the State Plumbing Board of Louisiana are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the State Plumbing Board of Louisiana or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The fund of the State Plumbing Board of Louisiana is described below:

Governmental Fund

General Fund

The General Fund is the primary operating fund of the Board and is classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

1.D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1.E. ASSETS, LIABILITIES, NET ASSETS AND FUND EQUITY

Cash and Cash Equivalents, Investments

For the purpose of the Statement of Net Assets, cash and cash equivalents include all demand, savings accounts, and certificates of deposits of the Board with an original maturity of 90 days or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as licenses, permits and examination fees since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Prepays

Prepays reflect payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepays are similarly reported in government-wide and fund financial statements.

Capital Assets and Depreciation

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost or donated value of \$5,000 or more are recorded at historical cost, or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2001.

Prior to July 1, 2001, infrastructure assets owned by governmental funds were not capitalized. Infrastructure assets acquired prior to July 1, 2001 have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings	25-50 years
- Improvements	10-50 years
- Equipment	3-20 years
- Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Employees of the Board earn and accumulate vacation and sick leave at varying rates, depending upon their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt can not be estimated and accordingly, it is reported as a noncurrent liability. In the fund financial statements, the entity reports only the current portion of the compensated absences liability.

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Investment in Capital Assets,— Consists of capital assets included restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Revenues

In the government-wide financial statements, revenues are classified as either program or general revenues. Program revenues consist primarily of licensing fees and enforcement action fees. General revenues consist primarily of interest, miscellaneous and non-program related revenues. In the fund financial statements, revenues are classified by source of funding.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

NOTE 2. - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a state agency, the Board is subject to various state laws and regulations. An analysis of the Board's compliance with significant laws and regulations and demonstration of its stewardship over Board resources follows.

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

2.A. FUND ACCOUNTING REQUIREMENTS

The Board complies with all state laws and regulations requiring the use of separate funds. The Board has no legally required funds.

2.B. RESTATEMENTS

The Board implemented new reporting model standards in fiscal year 2002. As a result, beginning balances of fund equity has been restated and converted to net assets as reported in the government-wide financial statements. The details of that restatement follow:

Fund Balance as of June 30, 2001	\$ 402,737.17
Fixed Assets (net) June 30, 2001	0.00
Compensated Absences June 30, 2001	<u>(16,376.36)</u>
Fund Balance restated as Net Assets June 30, 2001	<u><u>\$ 386,360.81</u></u>

2.C. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of the Board in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Louisiana or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Board must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized.

Investments are limited by R.S. 33:2955 and the Board's investment policy.

NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

The Board's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the Board based upon how its deposits were insured or secured with collateral at June 30, 2002. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Board or by its agent in its name

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Board's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Demand deposits	\$ 94,079	\$ 94,079	\$ 0	\$ 0	\$ 61,028
Certificates of Deposit	\$ 368,117	\$ 5,921	\$ 0	\$ 362,196	\$ 368,117
Total Deposits	<u>\$ 462,196</u>	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 362,196</u>	<u>\$ 429,145</u>

Reconciliation to Government-wide Statement of Net Assets:

Petty cash	\$ 200
Unrestricted cash	61,028
Certificates of Deposit	368,117
Total Cash	<u>\$ 429,345</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Board that the fiscal agent has failed to pay deposited funds upon demand.

3.B. ACCOUNTS RECEIVABLE

Receivables detail at June 30, 2002, is as follows:

	Governmental Activities
Accrued interest	\$ 658
Total receivable	<u>\$ 658</u>

3.C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002, was as follows:

	Balance at June 30, 2001	Additions	Disposals	Balance at June 30, 2002
Government activities:				
Equipment	\$ 0	\$ 20,284	\$ 0	\$ 20,284
Less accumulated depreciation	0	(4,057)	0	(4,057)
Governmental activities capital assets, net	<u>\$ 0</u>	<u>\$ 16,227</u>	<u>\$ 0</u>	<u>\$ 16,227</u>

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

* Depreciation expense was charged to governmental activities as follows:

Depreciation expense	\$ <u>4,057</u>
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3.D. ACCOUNTS PAYABLE

Payables in the general fund is composed of payables to vendors (4%) and accrued salaries and benefits (96%).

3.E. DEFERRED REVENUE

Deferred revenues associated with examination fees which are collected prior to test dates. The fees are considered earned upon the administration of the test.

3.E. LONG-TERM DEBT

Governmental Activities

As of June 30, 2002, the governmental long-term debt of the Board consists of the following:

Accrued Compensated Absences:

Current portion	\$ -0-
Noncurrent portion	<u>18,197</u>
Total Governmental activity debt	<u>\$ 18,197</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2002:

Type of Debt	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
Governmental Activities:				
Accrued Compensated Absences	\$ 16,376	\$ 8,773	\$ (6,952)	\$ 18,197
Total General Long-Term Debt	<u>\$ 16,376</u>	<u>\$ 8,773</u>	<u>\$ (6,952)</u>	<u>\$ 18,197</u>

NOTE 4. - OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement System ("System"), a cost sharing, multiple-employer, defined benefit public employee retirement system (PERS) controlled and administered by a separate board of trustees.

All full time employees are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 month average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with thirty years of service, (b) age 55 with twenty-five years of service, and (c) at age sixty with ten years of service. In addition, vested employees have the option of reduced benefits at any age with twenty years of service. The System also provides death and disability benefits. Benefits are established by state statute. The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees' Retirement System; P. O. Box 44213; Baton Rouge, LA 70804 or by calling (800)256-3000.

Members are required by state statute to contribute at 7.5% of gross salary. The Board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for fiscal year ended June 30, 2002 remained at 13.0% of annual covered payroll from the 13% and 12.3% required in fiscal years ended June 30, 2001 and 2000 respectively. The board contributions to the System for the year ending June 30, 2002, 2001 and 2000 are \$24,734, \$26,496, and \$23,450 respectively, equal to the required contributions for that year.

Post Employment Health Care and Life Insurance Benefits

Substantially all Board employees become eligible for post employment health care, dental, and life insurance benefits if they reach normal retirement age while working for the Board. These benefits for retirees and similar benefits for active employees are provided through the insurance company whose premiums are paid jointly by the employee and the Board. The Board recognizes the cost of providing these benefits as an expenditure when paid during the year. For the year ended June 30, 2002, the cost of providing those benefits for one retiree totaled \$6,724.

Deferred Compensation Plan

Certain employees of the Board participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

4.B. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Board's management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

4.C. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employee health and life; and natural disasters. The Board manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchased insurance with Louisiana Office of Risk Management public entity risk pool	None

**STATE PLUMBING BOARD OF LOUISIANA
DEPARTMENT OF LABOR
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Injuries to employees (Workers' compensation)	Participates in Louisiana Office of Risk Management public entity risk pool	None
Physical property loss and natural disasters	Purchased insurance with Louisiana Office of Risk Management public entity risk pool	None
Health and life	Participates in Louisiana Office of Group Benefits Plan	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Board. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Public Entity Risk Pool

The Board participates in the Louisiana State Office of Risk Management (public entity risk pool), which is responsible for negotiating, compromising and settling all claims including all tort claims against the Board.

4.D. COMMITMENTS AND CONTINGENCIES

Contingencies

Litigation

The State of Louisiana, Division of Administration, Office of Risk Management has not reported any cases pending.

4.E. COMPENSATION PAID TO BOARD MEMBERS

The schedule of per diem payments to Board Members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Louisiana Revised Statute 32:772, each member of the Board shall be reimbursed when actually in attendance at a board meeting or when required to travel for the official authorized business of the board, and such reimbursement shall not exceed \$75.00 per day..

<u>Commissioner</u>	<u>No. of Days</u>	<u>Amount</u>
James Finley	22	\$ 1,650
Johnny Gypin	2	150
Jack Hicks	8	600
Rick Lanier	8	600
James Osborne, Jr.	9	675
Linden Raimer	3	225
Robert Rolston	50	3,750
Robert Jaeger, II	2	150
Total		<u>\$ 7,800</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund

STATE PLUMBING BOARD
DEPARTMENT OF LABOR
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2002

	<u>Budget Amounts</u>					Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>			
Revenues:						
Use of money and property -						
Interest earnings	\$ 0.00	\$ 0.00	\$ 9,992.22	\$	9,992.22	
Licenses, permits, and fees -						
Licenses	389,200.00	389,200.00	410,295.00		21,095.00	
Enforcement actions	40,000.00	40,000.00	52,715.00		12,715.00	
Examination fees	75,250.00	75,250.00	84,287.50		9,037.50	
Temporary permits			5,575.00		5,575.00	
Miscellaneous -						
Other	26,350.00	26,350.00	1,476.20		(24,873.80)	
Total Revenues	530,800.00	530,800.00	564,340.92		33,540.92	
Expenditures:						
Current -						
Personal services -						
Commissioners per diem	13,500.00	13,500.00	7,800.00		5,700.00	
Salaries and benefits	357,409.00	357,409.00	328,809.99		28,599.01	
Travel	51,600.00	51,600.00	45,491.97		6,108.03	
Operating services	103,150.00	103,150.00	71,638.94		31,511.06	
Supplies	20,000.00	20,000.00	20,465.27		(465.27)	
Professional services	82,650.00	82,650.00	63,170.23		19,479.77	
Capital outlays	10,000.00	10,000.00	20,284.00		(10,284.00)	
Total Expenditures	638,309.00	638,309.00	557,660.40		80,648.60	
Excess of Revenues (Expenditures)	(107,509.00)	(107,509.00)	6,680.52		114,189.52	
FUND BALANCE - JUNE 30, 2001	286,182.00	286,182.00	402,737.17		116,555.17	
FUND BALANCE - JUNE 30, 2002	\$ 178,673.00	\$ 178,673.00	\$ 409,417.69	\$	\$ 230,744.69	

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.

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and

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

**Board Members of
State Plumbing Board of Louisiana
Department of Labor
State of Louisiana
New Orleans, Louisiana**

We have audited the basic financial statements of the State Plumbing Board of Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the State Plumbing Board of Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Plumbing Board of Louisiana's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material

in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the State Plumbing Board of Louisiana and its management, the Louisiana Legislative Auditor, the State of Louisiana and is not intended to be, and should not be used by anyone other than these specified parties.

Leroy J. Chustz
Certified Public Accountant, APAC

Beverly A. Ryall
Certified Public Accountant

August 14, 2002

**State Plumbing Board of Louisiana
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2002**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of State Plumbing Board of Louisiana.
2. No reportable conditions were disclosed during the audit of the basic financial statements.
3. No instances of noncompliance were disclosed during the audit of the basic financial statements.
4. There were no federal awards received by State Plumbing Board of Louisiana.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None

**State Plumbing Board of Louisiana
RESOLUTION PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2002**

2001-1 Payments Made to Attorney in Excess of Legal Contract Limits

Condition:

Payments made for legal services amounted to \$38,843.45 which is in excess of the contract limit of \$38,000.00.

Criteria:

A contract for professional legal services approved by the Office of Contractual Review limited all sums payable under the contract including fees and reimbursement of expenses not to exceed \$38,000.00.

Effect:

Violation of contract.

Cause:

Inadequate monitoring of payments for legal services.

Recommendation:

The line item for professional services should be segregated according to each contract for services. In this way actual expenditures can be tracked against the contract budget during the year. When projected expenditures appear to exceed the budget, then management should request an amendment to the contract.

Response:

Management concurred with the recommendation.

Current Year Status

This finding was resolved and there were no recurrences.

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**Board Members of
State Plumbing Board of Louisiana
Department of Labor
State of Louisiana
New Orleans, Louisiana**

In planning and performing our audit of the financial statements **State Plumbing Board of Louisiana**, for the year ended June 30, 2002, we considered the Board's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiencies, and reducing expenses. We previously reported on the Board's internal control in our report dated August 14, 2002.

COMPLIANCE

ANNUAL FINANCIAL REPORT

Finding and Recommendation: The Board is required to complete and submit an annual financial report (AFR) to the Division of Administration. We did not receive the AFR, nor did we receive Management's Discussion and Analysis, supplementary information required by the Government Accounting Standards Board, in a timely manner for inclusion in the basic financial statements. We believe the financial reporting process should be improved by either obtaining additional training in completing the AFR, or by contracting with an outside party with the requisite knowledge for the completion of the AFR.

Response: Management's response was not available at the time of the completion of the audit

Leroy J. Chustz
Certified Public Accountant, APAC

Beverly A. Ryall
Certified Public Accountant

August 14, 2002